

More on Making the FCC's First Combinatorial Auction Work Well

Reply Comments on DA 00-1075, “COMMENT SOUGHT ON MODIFYING THE SIMULTANEOUS MULTIPLE ROUND AUCTION DESIGN TO ALLOW COMBINATORIAL (PACKAGE) BIDDING”

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by

Aleksandar Pekec

Decision Sciences

The Fuqua School of Business

Duke University

Durham, North Carolina 27708-0120

pekec@duke.edu

Michael H. Rothkopf

RUTCOR

Rutgers University

640 Bartholomew Road

Piscataway, New Jersey 08854-8003

rothkopf@rutcor.rutgers.edu

1. Making fundamental changes in the auction format is not wise.

Some of the comments received by the Commission suggest fundamental changes in the auction format, e.g., going outside of the simultaneous multi-round format.¹ We don't believe that this is wise in view of the short time available before a September sale. We are restricting the rest of our response to one topic: the determination of allowable bids and bids that earn activity credit.

2. The validity of a bid and of the activity credit should not have expiration times.

Several respondents have suggested allowing bids on non-provisionally winning combinations to earn activity credit for a limited number of rounds.² We believe that it is undesirable to introduce any rule of this type just three months before the auction start. Introducing such a change is likely to fundamentally affect the auction. However, the effects were not analyzed theoretically nor tested experimentally. Also, any variant of

¹ Comments on DA 00-1075 filed by Kelly and Steinberg (www.fcc.gov/wtb/auctions/700/stein_3.pdf), Plott and Salmon (www.fcc.gov/wtb/auctions/700/plottsal.pdf), and Vohra and Weber (www.fcc.gov/wtb/auctions/700/bid_offr.pdf) propose changes of this type.

² Attachment to Joint Comments on DA 00-1075 of SBC Wireless, Inc. and Bellsouth Cellular Corporation by Harstad (www.fcc.gov/wtb/auctions/700/harstad.pdf), comments by Levin (www.fcc.gov/wtb/auctions/700/dlevin.pdf), and comments by Vohra and Weber (www.fcc.gov/wtb/auctions/700/bid_offr.pdf) propose changes of this type.

such a rule introduces added complexity for the bidders. Finally, except in one case³, those suggesting it were apparently unaware of the availability of the simple alternative we suggested.⁴

3. Determining minimum eligibility-conferring bids is simple.

One of the comments filed before the commission⁵ suggested that our proposal for granting activity credit⁶ is complicated. That criticism is off the mark. Our approach is based upon a simple, appropriate principle. Any complications in it are in computations that will be invisible to the bidders (and are easily done, especially in this small, first combinatorial auction). It avoids the complications for the bidders of keeping track of different clocks on different bids. And it avoids any arbitrary designation of the number of rounds for each different clock.

Besides, our proposal calling for introduction of minimum eligibility-conferring bids is not about formulae, but is about a general principle. The commission is free to choose a method for calculating minimum eligibility-conferring bids⁷. We suggested a simple rule (and its generalization) that is fair, that makes economic sense, that is straightforward to implement, and that should greatly reduce opportunities for strategic maneuvers yielding to inefficient auction outcomes.

*Durham, NC and Piscataway, NJ
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Attachment to Joint Comments on DA 00-1075 of SBC Wireless, Inc. and Bellsouth Cellular Corporation by Harstad (www.fcc.gov/wtb/auctions/700/harstad.pdf).

⁴ Section 4, Section 5 and the Appendix in the comments on DA 00-1075 filed by Pekec and Rothkopf (www.fcc.gov/wtb/auctions/700/workwell.pdf)

⁵ See footnote 3.

⁶ See footnote 4.

⁷ Setting the amount of the minimum eligibility-conferring bid to the amount of the minimum acceptable bid is only one such choice. It leads to the FCC's original proposal, but as the number of comments dealing with this general topic indicate, it is clearly in need of improvement.